

Office of Inspector General

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**Homeland
Security**

November 30, 2004

MEMORANDUM FOR: Ron Castleman
Regional Director, FEMA Region VI

FROM: *Tonda L. Hadley*
Tonda L. Hadley
Field Office Director

SUBJECT: *Grant Management: Louisiana's Compliance
With Disaster Assistance Program's Requirements*
Audit Report Number DD-02-05

This memorandum transmits the results of our audit, *Grant Management: Louisiana's Compliance With Disaster Assistance Program's Requirements*. In the report we determined that the State of Louisiana's Homeland Security and Emergency Preparedness (LHLS/EP) did not administer the Federal Emergency Management Agency's (FEMA) Hazard Mitigation Grant and Unmet Needs Programs in accordance with federal regulations and did not properly account for and use FEMA program funds.

On October 25, 2004, you responded to the draft audit report, stating that you generally agreed with the majority of the recommendations. Your comments are summarized after each finding in the report and included at the end in their entirety. The complete report will be posted on our Intranet and Internet websites.

The actions described in your response were adequate to resolve Recommendations 1, 2, 3, 4.2, 5.1, 5.2, 5.3, 6, 7.2, 7.3, 8.2, 8.3, and 9. However, these nine recommendations will remain open until the described actions have been implemented. Recommendations 7.1, 8.1, and 8.4, are unresolved and require your response indicating concurrence or non-concurrence with the recommendation. Recommendation 4.1. is unresolved because it requires an action plan for implementing the recommendation.

Please advise this office by February 28, 2005, of the actions taken or planned to implement Recommendation 4.1, 7.1, 8.1, and 8.4. Any planned actions should include target completion dates.

We thank your staff and LHLS/EP's staff for the courtesies extended the auditors during their fieldwork. If you have any questions concerning this report, please contact Stuart Weibel or me at (940) 891-8900.

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I. EXECUTIVE SUMMARY

The Office of Inspector General (OIG) audited the administration of the Hazard Mitigation Grant Program (HMGP) and Unmet Needs (UN) funding by the State of Louisiana's Office of Homeland Security and Emergency Preparedness (LHLS/EP). The audit objective was to determine if LHLS/EP administered Federal Emergency Management Agency (FEMA) HMGP and UN according to federal regulations and properly accounted for and used FEMA program funds. This report focuses on LHLS/EP's policies and procedures for assuring that grant funds were managed, controlled, and expended in accordance with applicable laws and regulations, including the Robert T. Stafford Disaster Relief and Emergency Act and Title 44 of the *Code of Federal Regulations* (CFR).

We initiated this audit based on the preliminary findings of an on-going investigation being conducted by the OIG Office of Investigations. Those findings indicated that certain Louisiana parishes had used HMGP and UN funds to mitigate projects that had not been properly approved by FEMA. Further, articles in Louisiana newspapers contained allegations that parish officials might have acted improperly with regard to FEMA HMGP and UN funds. As a result of the newspaper articles, the Legislative Auditor, State of Louisiana, conducted a review of HMGP and UN projects in the State of Louisiana. We discuss the results of that review in Finding 3 of this report.

The scope of audit included hazard mitigation and unmet needs funding totaling \$39,296,943 in direct project costs and \$1,227,969 in administrative and management costs from the following eight disasters: 1246, 1264, 1269, 1314, 1357, 1380, 1435, and 1437. The following chart summarizes the audit scope by funding source.

Funding	Scope	
	Dollars	Projects
HMGP Projects	\$30,062,074	63
UN Projects	9,234,869	23
Total Direct	<u>\$39,296,943¹</u>	<u>86</u>
Admin & Mgt	1,227,969	
Total Scope	<u>\$40,524,912</u>	

We determined that LHLS/EP did not administer the FEMA Hazard Mitigation Grant and Unmet Needs Programs in accordance with federal regulations and did not properly account for and use FEMA program funds. As a result, we questioned \$617,787 of ineligible management and administrative costs (Findings 7 and 8) and identified other conditions that increased the likelihood that fraud, waste, and abuse occurred without detection. LHLS/EP's inadequate administration was largely due to the lack of procedures for administering grant funds and staff having minimal program knowledge and experience. Our recommendations for each finding, if implemented by LHLS/EP,

¹ This amount represents the 75 percent federal share of estimated costs for the 86 projects approved by FEMA for mitigation under the two programs (HMGP and UN).

would improve administration, strengthen controls, and correct noncompliance. The following is a summary of each of the findings identified:

- Administrative plans did not contain all procedures required by 44 CFR.
- LHLS/EP did not submit 5 of 12 required quarterly progress reports for the 3-year period ending June 2003. Additionally, the reports that were submitted did not contain adequate information.
- HMGP project files did not contain evidence to indicate that LHLS/EP performed final inspections of projects to ensure projects were completed as defined by the approved scope of work.
- The project ranking and selection process was not adequate to prevent duplicate funding and to ensure funds were properly prioritized.
- LHLS/EP did not review documentation to support HMPG and UN project costs claimed by subgrantees. Of the \$15.4 million paid on 19 projects in our sample, LHLS/EP could only provide supporting documentation for \$495,309, or 3 percent.
- LHLS/EP inappropriately approved changes to the scope of work on HMGP project acquisitions without obtaining required prior approval from FEMA.
- LHLS/EP claimed \$163,301 of HMGP statutory administrative allowance funds for expenses that were ineligible.
- LHLS/EP claimed \$454,486 of UN administrative and management funding for expenses that were ineligible.
- LHLS/EP did not assess project cost estimates for reasonableness and often based cost estimates on square footage alone, rather than considering other relevant factors.

II. INTRODUCTION

The Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended, (Stafford Act) (42 U.S.C. §5121 et seq.) governs presidentially declared disasters. Following a major disaster declaration, the Stafford Act authorizes FEMA to provide various forms of disaster relief to the states, as grantees; and, to state agencies, local governments, eligible private-nonprofit organizations, Indian Tribes, and Alaska Native Villages as subgrantees (applicants). Federal Regulations (44 CFR) provide further guidance relative to the requirements and administration of disaster relief grants.

FEMA has three major classifications of disaster relief grants: Public Assistance Grants, Individual and Family Grants, and Hazard Mitigation Grants. This audit focused on the Hazard Mitigation Grant Program.

FEMA awards Hazard Mitigation (HM) Grants to states to help reduce the potential of future damages to facilities. The state must indicate its intention to participate in the program, and subgrantees must submit hazard mitigation grant proposals. The state is responsible for setting priorities for the selection of specific projects, but FEMA is responsible for final approval. Eligible subgrantees under this program include local governments, certain private non-profit organizations, Indian Tribes, and Alaska Native Villages. The amount of assistance available under this program must not exceed 15 percent² of the total assistance provided under the other assistance programs.

Unmet Needs (UN) funding was awarded to address communities' disaster-related needs not met by other FEMA funding, Small Business Administration loans, or the U.S. Army Corps of Engineers in fiscal years 1998 and 1999. UN funds were to be administered in conjunction with the administration of other FEMA disaster assistance programs and used for mitigation, buyout assistance, disaster relief, and long-term recovery. Grantees were to administer UN funding used for mitigation and buy-out consistently with the intent of the HMGP.

FEMA provides grantees three types of administrative funds to cover the costs of overseeing the Hazard Mitigation Grant Program. First, administrative allowances cover the extraordinary costs directly associated with the management of the program, such as overtime wages and travel costs. To determine this allowance, FEMA uses a statutorily mandated sliding scale with payments ranging from 1/2 to 3 percent of the total amount of federal disaster assistance provided to the grantee. Second, FEMA can award "State Management Grants" on a discretionary basis to cover the state's ordinary or regular costs directly associated with the administration of the program. Third, FEMA can award an allowance for indirect costs associated with the administration of the program.

For the Unmet Needs Program, grantees can use up to 7 percent of awarded funds to cover costs associated with administering the program. OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, defines costs that are allowable for administrative purposes.

² This percentage was increased in 2000 from 15 percent to 20 percent for those States that have an approved "enhanced" plan prior to the date of declaration (44 CFR 206.432).

III. OBJECTIVE, SCOPE, AND METHODOLOGY

The audit objective was to determine if the State of Louisiana's Office of Homeland Security and Emergency Preparedness (LHLS/EP) administered the Federal Emergency Management Agency (FEMA) Hazard Mitigation Grant and Unmet Needs Programs in accordance with federal regulations and properly accounted for and used FEMA program funds. We included the Unmet Needs Program because it was required to be administered consistently with the intent of Hazard Mitigation Grant Program regulations. Our scope of audit included the following eight disasters: 1246, 1264, 1269, 1314, 1357, 1380, 1435, and 1437. These eight disasters were declared between September 1998 and October 2002. As of June 2003, FEMA funded \$39,296,943 in direct project costs and \$1,227,969 as of September 2003 in administrative and management costs on the eight disasters.

To accomplish our objective, we reviewed the following aspects of the grant cycle:

- Administrative Plan
- Subgrantee Award Process
- Subgrantee Monitoring
- Project Completion and Closeout
- Administrative and Management Costs
- Cost-Share-Requirements

We interviewed FEMA Region VI and LHLS/EP officials to identify and obtain information and guidance on the Hazard Mitigation Grant Program (HMGP) and Unmet Needs Program (UN). We considered the views of these officials when developing our findings and recommendations. We reviewed documentation obtained from Region VI and state officials; applications for assistance; and the approval, monitoring, and reporting of program funds. Our audit included a review of both open and closed HMGP and UN projects, but emphasized the review of LHLS/EP's current policies and procedures.

To analyze LHLS/EP's compliance and performance with grant administration requirements, we reviewed a sample of 23 judgmentally selected HMGP and UN projects (both open and closed) identified in the table below. The 23 projects included 14 HMGP and 9 UN projects with cumulative subgrantee funding from more than one disaster totaling over \$1 million. Obligated funding for the 23 projects in our sample totaled \$19,243,247, or 49 percent of the total funds obligated for the eight disasters in our audit scope (\$19,243,247 / \$39,296,943). The scope of each "project" includes work designed to mitigate one or more properties against future damage.

Fund Type	Obligations	Disbursements	Sampled Projects
HMGP Projects	\$12,719,816	\$10,060,957	14
UN Projects	<u>6,523,431</u>	<u>5,295,348</u>	<u>9</u>
	<u>\$19,243,247</u>	<u>\$15,356,305</u>	<u>23</u>

To analyze LHLS/EP's procedures to report progress and closeout, we reviewed a separate sample of 19 judgmentally selected HMGP and UN projects. The 19 projects included 13 HMGP and 6 UN projects, all of which were closed at the time of our audit. Funding for the 19 projects totaled \$8,076,940 or 21 percent of the total funds obligated for the 8 disasters in our audit scope (\$8,076,940 / \$39,296,943).

We performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards.

IV. FINDINGS AND RECOMMENDATIONS

Finding 1- HMGP Administrative Plans Did Not Contain all Required Procedures

LHLS/EP's administrative plans for the HMGP did not include all procedures required by 44 CFR. We reviewed LHLS/EP's administrative plans for Disaster 1437, the most recent disaster in our audit scope, and the most recently revised plan submitted and approved by FEMA Region VI.

Section 206.437(b) establishes minimum criteria for state administrative plans. The State Administrative Plan for Disaster 1437 did not include the following required items:

- 1) Designation of the state agency that will have responsibility of program administration,
- 2) Establishment of procedures to determine applicant eligibility,
- 3) Establishment of procedures to conduct environmental and floodplain management reviews,
- 4) Establishment of procedures to process requests for advances of funds and reimbursement,
- 5) Establishment of procedures to review and approve cost overruns,
- 6) Establishment of procedures to process appeals,
- 7) Establishment of procedures to comply with the administrative requirements of 44 CFR parts 13 and 206,
- 8) Establishment of procedures to comply with audit requirements of 44 CFR part 14 (Single Audit Act).

The State Hazard Mitigation Officer (SHMO) responsible for the plans stated that, due to an increase in the number of disasters, other duties took priority over revising the plan. Additionally, the SHMO was new to the program and was not sure of what changes were needed because there were no LHLS/EP policies or procedures in place addressing the submission and revision of administrative plans. The SHMO stated that he recently made some "major" revisions to the plan and had sent the updated plan to FEMA for approval. On September 11, 2003, LHLS/EP submitted a revised plan and the FEMA Regional Office reviewed and approved the plan on September 22, 2003. This plan added requirements identified above by numbers 1) and 5), but still omitted the other six requirements identified above. The fact that the SHMO submitted a revised plan for FEMA approval that was deficient indicates that the staff is still not fully aware of the necessary requirements or how to implement them.

Conclusions and Recommendation:

The State Administrative Plan is a key document that needs to thoroughly and accurately explain how the state will carry out its grantee responsibilities. Although the most current plan was approved by FEMA, it did not meet the minimum requirements outlined in 44 CFR. Had this document complied with these requirements, the current SHMO would

have been better able to transition into his position. Adequate administrative plans are necessary to ensure that all personnel handling disaster administration are aware of and can accomplish tasks according to the plans and that assistance to applicants is consistent. LHLS/EP may fail to handle issues properly if administrative plans are outdated and do not contain all procedures to administer programs. Additionally, without adequate plans, FEMA cannot be certain that LHLS/EP is sufficiently prepared and that stated policies and procedures will accomplish grant goals. Finally, an inadequate administrative plan forces LHLS/EP to rely on the institutional knowledge of staff currently employed. In the event those individuals are not available, program services to applicants may deteriorate as replacement staff members may attempt to implement the program with minimal guidelines or outdated policy.

We recommend that the Regional Director, FEMA Region VI, require LHLS/EP to develop, document, and implement policies and procedures to ensure administrative plans meet all 44 CFR requirements.

Management Response:

FEMA Region VI concurred with the findings and recommendation. The Region has approved a grant for LHLS/EP to use in developing a new State Administrative Plan and the Region will review the plan for completeness by June 30, 2005.

OIG Comments:

The Region's described action plan is adequate to resolve the recommendation in this finding and the recommendation can be closed when FEMA Region VI has assured the OIG that the revised State Administrative Plan contains all required procedures.

Finding 2 - Quarterly Progress Reports Did Not Provide Timely, Useful Information

LHLS/EP did not submit 5 of 12 required quarterly progress reports for the 3-year period ending June 2003. In addition, the reports that LHLS/EP submitted did not contain adequate information. These reports did not contain completion dates, contained conflicting information on percentage of completion and completion dates, or contained statements that were unclear.

The State Administrative Plan instructs, "Quarterly reports will be solicited from all subgrantees in accordance with 44 CFR 206.438 (c). Quarterly reports are due from the subgrantee to the grantee one week prior to the first day of each Federal fiscal quarter (January, April, July, October). The SHMO will compile the reports and send them forward to the Federal Hazard Mitigation Officer."

According to 44 CFR 206.438 (c), *Progress Reports*, the grantee shall submit quarterly progress reports to FEMA that include:

- the status and completion date for each measure funded, and
- a description of any problems or circumstances affecting completion dates, scope of work, or project costs that are expected to result in noncompliance with the approved grant conditions.

Although LHLS/EP identified the requirement and provided applicants the necessary forms to submit quarterly progress reports, LHLS/EP did not have procedures in place to enforce the requirement that applicants provide adequate information to report project status to FEMA. Consequently, LHLS/EP did not possess the information needed to prepare accurate and timely progress reports, which should include information obtained from applicants on each open project. LHLS/EP officials stated that they gave precedence to other activities because (1) the FEMA Region did not strongly emphasize the importance of quarterly progress reports, (2) LHLS/EP had limited staff available for performing this responsibility, and (3) the frequency of disaster activity had been higher than normal.

Conclusions and Recommendation:

Progress reports should be accurate, timely, and complete to ensure that the Regional Office is aware of current project status and has information needed to effect approvals, obligations, and deobligations in a timely manner. Without obtaining adequate information from applicants, LHLS/EP is unable to properly monitor the progress being made on approved projects, and there is no assurance that the information provided to the region is accurate. Consequently, funds may be mismanaged or misused. Finally, projects with little progress may be inappropriately approved for time extensions.

We recommend that the Regional Director, FEMA Region VI, require LHLS/EP to develop, document, and implement procedures, to ensure quarterly progress reports are accurate, timely, and complete. These procedures should describe how to obtain adequate information from subgrantees and a staffing plan to ensure procedures are followed when multiple disasters occur.

Management Response:

FEMA Region VI concurred with the findings and recommendation. The Region has enhanced the State's quarterly progress report and the LHLS/EP is establishing a database system for monitoring grant activities. In addition, LHLS/EP's revised administrative plan will include procedures for obtaining adequate information from subgrantees and will include an updated staffing plan. The target completion date for this action plan is June 30, 2005.

OIG Comments:

The Region's described action plan is adequate to resolve the recommendation in this finding and the recommendation can be closed when FEMA Region VI has assured the OIG that the new database is in place and the revised State Administrative Plan contains

the updated procedures for obtaining timely and useful information on quarterly progress reports.

Finding 3 - HMGP Project Files Did Not Contain Evidence of Final Inspections

HMGP project files did not contain evidence to indicate that LHLS/EP performed final inspections of projects to ensure projects were completed as defined by the approved scope of work.

The State Administrative Plan Section VIII, C. states: "A final closeout inspection will be conducted prior to the applicant receiving the final reimbursement. The close-out inspection will include an on-site inspection of the work performed to assure compliance with the scope of work outlined in the application."

According to 44 CFR 206.438 (d), *Payment of Claims*, the Governor's Authorized Representative is to claim reimbursement of allowable costs for each approved measure and is to certify that reported costs were incurred in the performance of eligible work and that the approved work was completed. Further, according to the Hazard Mitigation Desk Reference, October 1999, Section 14, *Closeouts and Audits*, each individual project needs to be closed out and one of the necessary steps to perform closeout is a site visit.

On March 3, 2003, the Legislative Auditor, State of Louisiana, issued a report³ stating that LHLS/EP only mitigated 186 (49 percent) of 378 structures FEMA approved for mitigation. Further, the report stated LHLS/EP mitigated another 132 (42 percent) structures that were not included in the 378 structures approved by FEMA. We did not verify facts in the Legislative Auditors report; however, in August 2004, we began an audit of HMGP and UN funds awarded to selected subgrantees to quantify the dollar effect of the conditions identified in this finding. The audit will determine whether the \$39 million of HMGP funds awarded to the state were used improperly.

Although LHLS/EP had procedures in place to instruct state employees to perform final inspections to comply with state and federal program requirements, it did not follow these established procedures due to limited staffing and a higher than normal frequency of disaster activity. Further, the procedures did not include steps to assure FEMA that final inspections were performed. As a result, it appears that federal funds were used on projects not approved by FEMA.

Conclusions and Recommendations:

Unless LHLS/EP performs final closeout inspections, it cannot assure FEMA that HMGP-funded projects were completed in accordance with the approved scope of work. Accordingly, we recommend that the Regional Director, FEMA Region VI, require LHLS/EP to follow its procedures for performing final inspections and revise those

³ *Report on the Louisiana Office of Homeland Security and Emergency Preparedness*, New Orleans Louisiana, dated March 3, 2004.

procedures to include steps that assure FEMA work has been completed in accordance with federal regulations. Such procedures might include providing the Region a copy of the final inspection report along with the final reimbursement claim submitted on each approved project.

Management Response:

FEMA Region VI concurred with the findings and recommendation. LHLS/EP provided the Region a schedule to perform closeout reviews of completed HM projects. In addition, LHLS/EP's revised State Administrative Plan will include procedures for completing final inspections. The target completion date for these actions is June 30, 2005.

OIG Comments:

The Region's described action plan is adequate to resolve the recommendation in this finding and the recommendation can be closed when FEMA Region VI has assured the OIG that LHLS/EP has completed the final closeout inspections and the revised State Administrative Plan contains the updated procedures to include steps that assure FEMA work has been completed in accordance with federal regulations.

Finding 4 - Project Ranking and Selection Process Increased the Risk of Duplicate Funding

LHLS/EP's application, evaluation, and approval process for project ranking and selection was not adequate to prevent duplicate funding and to ensure that projects were properly prioritized and assessed for eligibility. Within the 23 projects sampled, we identified 19 properties approved for mitigation under more than 1 disaster. Funding these 19 projects as approved would result in duplicate cost totaling \$1,742,317.

As specified in 44 CFR 206.434 (c), *Minimum project criteria*, the grantee's ranking and selection process must provide for an assessment of project eligibility and must conform with the State Administrative Plan. LHLS/EP's HMGP Administrative Plan requires that projects, in order to be assessed as cost effective, cannot have received funding under the HMGP as a result of a previous disaster. Further, according to Section 312 of the Stafford Act (42 U.S.C., §5155), *Duplication of Benefits*, FEMA shall ensure that no entity will receive federal assistance duplicating benefits received for the same purpose from another source. HM grants made under the provisions of Section 404 of the Stafford Act (42 U.S.C. §5170c) cannot be used as a substitute or replacement to fund projects or programs that are available under other federal authorities, except under limited circumstances in which there are extraordinary threats to lives, public health or safety, or improved property.

LHLS/EP's project ranking and selection procedures did not comply with these requirements. We identified the following conditions:

- a. LHLS/EP did not have a process in place to prevent selection of projects that had been previously selected under prior disasters or other programs. Without such a process, the risk of duplicate funding increases.
- b. Information that LHLS/EP requested on the Individual Applicant Worksheets (IAW) did not include information needed to determine whether properties should receive priority funding. For example, the IAW did not identify the purpose of the IAW, request whether the homeowner's property was a primary residence, or whether the property was covered by flood insurance.
- c. LHLS/EP's priority ranking criteria was not consistent. Priorities identified in the administrative plan and those identified during applicant briefings lists were as follows:

LHLS/EP State Administrative Plan for Disaster 1437	LHLS/EP Presentation on HMGP for Disaster 1437
Acquisition ⁴	Acquisition/elevation/relocation of flood-insured repetitive loss properties
Elevation	Retrofitting of Public Facilities
Drainage/structural	Minor Drainage Projects
Retrofitting of public facilities	

- d. LHLS/EP did not verify whether structures met necessary priority ranking criteria for flood-insured, repetitive loss properties that were primary residences. The priority ranking for acquisition, elevation, and relocation of property, as specified in the State Administrative Plan, should be determined based on whether the properties were: substantially damaged during a disaster, on the Targeted Repetitive Loss List (TRLL), insured against flood, a primary residence, and owned by someone willing to contribute a 25 percent match.
- e. LHLS/EP placed a significant, if not total reliance on the TRLL published by FEMA to rank and select projects for funding consideration. The TRLL was not developed for the purpose of identifying properties to fund under the HM and UN programs. The list was developed to identify properties that had repetitive flood loss insurance claims. The TRLL contains all repetitive loss properties to include commercial properties, secondary homes, and properties of owners with no interest in participating in the HM and UN programs. The TRLL was an inappropriate tool for LHLS/EP to rely on because the TRLL did not identify the type of properties the LHLS/EP considered a priority.
- f. LHLS/EP's State HMGP Administrative Plan did not identify all the state agencies listed in the Governor's State Executive Orders that were members of the State

⁴ In order to demolish or relocate a structure to mitigate future damage, it must first be purchased, or "acquired," from the property owner.

Hazard Mitigation Team (SHMT). Although actual team member participation may change for various reasons, the team identified in the State Executive Order should be reflected in the State Administrative Plan.

LHLS/EP failed to properly assess project eligibility, rank properties consistently with state priorities, and verify that projects met the criteria for priority funding. This failure could or did result in LHLS/EP or subgrantees:

- receiving duplicate project funds;
- misapplying or misusing mitigation funds;
- inaccurately assessing the eligibility of proposed projects and inappropriately funding those projects;
- approving funding for structures that did not meet established requirements;
- communicating inconsistent state priorities to applicants; and
- funding projects without consulting state agencies with appropriate technical expertise.

Conclusions and Recommendations:

The ranking and selection of HMGP and UN projects in accordance with FEMA program policies is essential to ensure that each project is completely and fairly considered. As a result of our audit, LHLS/EP submitted a revised State HMGP Administrative Plan on September 11, 2003, that correctly identified the ranking criteria for priority funding and members of the SHMT. However, the plan was not revised to include procedures to ensure that the criteria are applied correctly and consistently.

We recommend that the Regional Director, FEMA Region VI:

- (1) Determine whether HMGP or UN projects were funded under more than one disaster or program and, if so, disallow the resulting duplicate funding.
- (2) Require LHLS/EP to develop, document, and implement policies and procedures to adequately perform project ranking and selection. Specifically, the procedures should be sufficient to ensure that LHLS/EP:
 - Does not select projects for mitigation under more than one disaster or program;
 - Prevents subgrantees from using funds to substitute or match funding available from other federal programs;
 - Revises the Individual Application Worksheet to include data relevant to determining whether properties should receive priority funding;
 - Consistently applies project priorities listed in its HMGP Administrative Plan during the project ranking and selection process.

Management Response:

FEMA Region VI reiterated that LHLS/EP must determine whether HMGP or UN projects were funded under more than one disaster or program and, if so, disallow the resulting duplicate funding. The Region agreed that LHLS/EP must develop, document, and implement policies and procedures to adequately perform project ranking and selection. The target completion date for the stated actions is June 30, 2005.

OIG Comments:

Recommendation 4.1 remains unresolved because the Region did not provide an action plan for determining whether HMGP or UN projects were funded under more than one disaster or program and, if duplicate funding occurred, disallowing the resulting duplicate funding. The Region's described action plan is adequate to resolve Recommendation 4.2 and the recommendation can be closed when FEMA Region VI has assured the OIG that the State Administrative Plan includes the developed, documented, and implemented policies and procedures to adequately perform project ranking and selection.

Finding 5 – LHLS/EP Did Not Review Documentation to Support HMGP and UN Project Costs

LHLS/EP did not review documentation to support HMGP and UN project costs claimed by subgrantees. LHLS/EP did not go to the subgrantees to review documentation and did not require subgrantees to submit documentation to support requests for advances or reimbursements. LHLS/EP also did not obtain assurances on advances that subgrantees would minimize the time elapsed between the transfer of payments and disbursements.

According to the FEMA-State Agreement and 44 CFR 206.432 (c), *Cost sharing*, the FEMA share of the cost measures funded under the HMGP is limited to 75 percent. Further, 44 CFR 206.438, *Project Management*, stipulates that the state has primary responsibility for project management and accountability of funds and is responsible for ensuring that subgrantees meet all program requirements.

Subgrantees requested payments by submitting a form entitled *Request for Advance or Reimbursement*, but typically included no documentation to explain or support the amount requested. At the time of our audit, LHLS/EP had disbursed \$15,356,305 to subgrantees for the 75 percent federal share of costs claimed on the 23 HMGP and UN projects in our sample. Of this amount, only \$495,309, or 3 percent, was supported by documentation contained in LHLS/EP files. Further, in a separate sample of 19 completed projects, 15 projects contained no evidence that LHLS/EP performed any closeout procedures to ensure that costs were supported and eligible or that subgrantees contributed their required matching cost share.

According to 44 CFR 13.20 (b)(6), *Source documentation*, accounting records must be supported by source documentation such as cancelled checks, paid bills, payrolls and, time and attendance records. Further, 44 CFR 206.438 (d), *Payment of Claims*, requires the Governor's Authorized Representative to certify that reported costs were incurred in the performance of eligible work, the approved work was completed, and the mitigation measure complied with the provisions of the FEMA-State Agreement. In addition, 44 CFR 13.21 (c), *Advances*, states that grantees and subgrantees shall be paid in advance provided they maintain or demonstrate the willingness and ability to minimize the time elapsed between the transfer of the funds and their disbursements by the grantee or subgrantee.

LHLS/EP did not have procedures for reviewing documentation to support costs claimed under HMGP and UN projects and, therefore, could not assure FEMA that it complied with 44 CFR requirements related to source documentation, payment of claims, and advances. LHLS/EP officials stated that their staffing and procedures were not sufficient to perform adequate follow-up on payment requests.

Conclusions and Recommendations:

Because LHLS/EP did not review documentation to support project costs, it could not provide assurance that subgrantees had (1) incurred the costs claimed for eligible work on approved projects, (2) met the non-federal cost-share requirement, and (3) minimized the time elapsed between receipt and disbursement of federal funds. Further, the lack of adequate procedures to review supporting documentation increases the likelihood that fraud, waste, or abuse occurred, or might occur, without detection.

We recommend that the Regional Director, FEMA Region VI, require LHLS/EP to:

- (1) Perform final project closeouts for all approved projects completed under the Hazard Mitigation and Unmet Needs Programs to determine whether costs claimed are supported and eligible.
- (2) Disallow unsupported and/or ineligible costs claimed for HMGP and UN projects.
- (3) Develop, document, and implement policies and procedures to review documentation to support costs claimed under all HMGP and UN projects. These procedures should be sufficient to ensure that subgrantees:
 - Incurred claimed cost for eligible work on approved projects,
 - Met the non-federal cost-share requirement, and
 - Minimized the time elapsed between receipt and disbursement of federal funds.

Management Response:

FEMA Region VI reiterated that LHLS/EP must perform final project closeouts for all approved projects completed under the HM and UN programs to determine whether costs claimed are supported and eligible. LHLS/EP provided the Region a schedule to perform closeout reviews of completed projects and LHLS/EP indicated they would take appropriate action when issues of noncompliance are discovered. In addition, the Region agreed that LHLS/EP must develop, document, and implement policies and procedures to adequately perform project ranking and selection. The target completion date for the stated action is June 30, 2005.

OIG Comments:

The Region's described action plan is adequate to resolve Recommendations 5.1, 5.2 and 5.3. The recommendations can be closed when FEMA Region VI has assured the OIG that the final project closeouts are completed, any unsupported and/or ineligible costs are disallowed, and the revised State Administrative Plan includes the developed, documented, and implemented policies and procedures to review documentation to support costs claimed under all HMGP and UN projects.

Finding 6 – LHLS/EP Did Not Obtain FEMA Approval for Scope-of-Work Changes

LHLS/EP inappropriately approved changes to the scope of work on Hazard Mitigation project acquisitions, rather than obtaining prior FEMA approval, as required. In our sample of 23 projects, we identified 4 projects with scope-of-work changes not approved by FEMA. One of those projects, Ascension Parish Hazard Mitigation Project 005-0001, funded for \$1,061,738 under Disaster 1380, contained significant scope-of-work changes not approved by FEMA. According to an LHLS/EP-provided summarization of environmental clearing documents received from FEMA, FEMA approved Project 005-0001 to mitigate 15 structures (14 acquisition and 1 elevation). Based on its discussions with an OIG investigator⁵, FEMA Region VI inspected the project in July 2003. In August 2003, FEMA issued a Project Site Inspection Report that stated the project mitigated only 12 structures (7 acquisitions and 5 elevations) and that 6 of the 12 structures were not among the 15 structures FEMA originally approved.

According to 206.436 (f), *FEMA approval*, the application and supplements for HMGP projects will be submitted to FEMA for approval, with FEMA having final approval authority for the funding of all projects. The Hazard Mitigation Grant Program Desk Reference, October 1999, page 13-13, also requires states to obtain prior approval from FEMA before implementing scope changes.

LHLS/EP officials stated that they were not aware that they lacked the authority to approve subgrantee-proposed changes in the scope of work and, therefore, did not take

⁵ On page 2 of this report, the Executive Summary discusses the investigation conducted by the OIG Office of Investigations.

proactive steps to clarify their authority with the FEMA Regional Office. This lack of awareness indicates that LHLS/EP did not have adequate procedures in place to ensure that changes in the scope of HMGP projects were properly approved in advance by FEMA.

Conclusions and Recommendation:

Without properly processing changes to the approved scope of work, LHLS/EP could violate environmental, historic preservation, and/or floodplain management laws and regulations. LHLS/EP could also misapply mitigation funds toward projects that were not consistent with the State Hazard Mitigation Plan's purposes or priorities, potentially resulting in approved funds being reduced or refunded.

We recommend that the Regional Director, FEMA Region VI, require LHLS/EP to develop, document, and implement procedures to ensure that all changes in scope of HMGP projects are properly approved in advance by FEMA.

Management Response:

FEMA Region VI concurred with the findings and recommendation and stated that LHLS/EP's revised State Administrative Plan will include procedures to ensure that all changes in scope of HMGP projects are properly approved in advance by FEMA, for completing final inspections. The target completion date for this action is June 30, 2005.

OIG Comments:

The Region's described action plan is adequate to resolve the recommendation in this finding and the recommendation can be closed when FEMA Region VI has assured the OIG that the revised State Administrative Plan contains the updated procedures to ensure that all changes in scope of HMGP projects are properly approved in advance by FEMA.

Finding 7 – Statutory Administrative Allowance Expenditures for Hazard Mitigation Were Ineligible

LHLS/EP claimed and drew down \$186,363 in Statutory Administrative Allowance costs under the HMGP for the period May 2000 through September 2003. We reviewed \$163,301 of the \$186,363 and determined that these costs were ineligible in accordance with 44 CFR 206.439 (b)(1), *Statutory administrative costs – (i) Grantee*. Further, LHLS/EP's allocation of these costs among the programs and disasters was arbitrary and unsupported and, therefore, did not comply with OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, Section C requirements. We did not review the remainder of these costs because the required audit effort would have exceeded the benefits of a 100 percent review. Further, we found no evidence to indicate the remaining costs were eligible.

According to 44 CFR 206.439 (b)(1), *Statutory administrative costs--(i) Grantee*, an allowance will be provided to the state to cover the extraordinary costs incurred by the state for preparation of applications, quarterly reports, final audits, and related field inspections by state employees, including overtime pay and per diem and travel expenses, but not including regular time.

LHLS/EP used \$163,301 of HMGP administrative allowance for purchases of large value capital assets, lease costs, and utility expenses rather than for extraordinary costs. Specifically, the allowance was inappropriately used to pay for a pickup truck, microwave systems, audio equipment, computers, computer software, camera equipment, curtains, building equipment, GSA auto lease charges, utilities expenses, replenishment of petty cash, professional dues, travel for training, refreshments, office supplies, facilities maintenance, sod replacement, emergency supplies, warehouse lease costs for storage of emergency supplies, and a scholarship fund. The administrative allowance was also used to cover budget shortfalls realized by the military sector of the LHLS/EP. These expenditures do not qualify as allowable extraordinary expenses under 44 CFR 206.439 (b)(1).

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, Section C, *Basic Guidelines*, states that, to be allowable under federal awards, costs must be allocable to the federal award. The Circular goes on to state, “A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.”

Rather than comply with this mandate, LHLS/EP arbitrarily allocated the cost of non-extraordinary items to various programs and cost types without considering whether it benefited the cost objective to which it was assigned. LHLS/EP stated that they drew down costs from available funding and moved costs between programs rather than drawing down funds based on whether the funding source benefited from the cost incurred.

Although 44 CFR 206.439 (b) specifically states that “Statutory Administrative Costs” are for the direct costs of administering the program, LHLS/EP officials stated that they were uncertain of how to allocate the costs. One official stated, “There is no budget for admin dollars; we treat it all as one big general fund.” He also stated, “If we don’t spend it, they will take it back.” This uncertainty of how to allocate costs indicates that LHLS/EP did not have adequate procedures related to claiming and accounting for funds spent under HMGP statutory administrative allowances.

Conclusions and Recommendations:

Because LHLS/EP did not comply with regulations pertaining to the use of Statutory Administrative Costs under the Hazard Mitigation Program, at least \$163,301 out of \$186,363 of federal funds was spent on goods and services that were not eligible under its grant. Further, it is logical to assume that the HMGP would have benefited if the funds

available under statutory administrative allowances had been spent properly. For example, LHLS/EP could have used the funds to cover extraordinary expenses incurred in relation to the performance of inspections and closeout reviews.

We recommend that the Regional Director, FEMA Region VI:

- (1) Disallow \$163,301 of the \$186,363 statutory administrative allowances claimed as of September 2003 and disallow the remaining \$23,062 claimed unless LHLS/EP can prove the eligibility of the remaining costs.
- (2) Disallow any claims subsequent to September 2003 for HMGP statutory administrative allowances unless LHLS/EP can prove costs claimed are eligible.
- (3) Require LHLS/EP to develop, document, and implement procedures to ensure that costs claimed under HMGP statutory administrative allowances are limited to extraordinary actual expenses supporting the Hazard Mitigation program and are properly recorded and allocated on an individual disaster basis.

Management Response:

FEMA Region VI stated they “provisionally” agree with Recommendation 7.1 to disallow \$163,301 of the \$186,363 statutory administrative allowances claimed as of September 2003 and disallow the remaining \$23,062 claimed. The Region stated they would review the ineligible costs to inform the State on actions to resolve this issue. For Recommendation 7.2 the Region stated that LHLS/EP must disallow any claims subsequent to September 2003 for HMGP statutory administrative allowances unless LHLS/EP can prove costs claimed are eligible. Finally, the Region concurred with Recommendation 7.3 to require LHLS/EP to develop, document, and implement procedures to ensure that costs claimed under HMGP statutory administrative allowances are limited to extraordinary actual expenses supporting the Hazard Mitigation program and are properly recorded and allocated on an individual disaster basis. The target completion date for the stated actions was June 30, 2005.

OIG Comments:

Recommendation 7.1 cannot be resolved until the Region agrees that the cited ineligible statutory administrative allowances claimed as of September 2003 should be disallowed. Further, the stated target completion date of June 30, 2005 is unacceptable because the Inspector General Act of 1978 requires the agency to make management decisions (whether the Region agrees or disagrees) within 6 months of the date of the final report. Accordingly, the Region must provide a decision to de-obligate the ineligible costs no later than May 31, 2005. The June 30, 2005 target completion date is acceptable for de-obligating the ineligible costs.

The Region’s described action plan is adequate to resolve Recommendations 7.2 and 7.3. Recommendation 7.2 can be closed when FEMA Region VI has assured the OIG that

they have disallowed any ineligible costs subsequent to September 2003 for HMGP statutory administrative allowances. Recommendation 7.3 can be closed when FEMA Region VI has assured the OIG that the revised State Administrative Plan includes the developed, documented, and implemented policies and procedures to ensure that costs claimed under HMGP statutory administrative allowances are limited to extraordinary actual expenses supporting the Hazard Mitigation program and are properly recorded and allocated on an individual disaster basis.

Finding 8 - Administrative and Management Costs for the Unmet Needs Program Were Ineligible

LHLS/EP claimed and drew down \$465,689 for administrative and management costs under the UN program for the period October 2000 through September 2003. Of this amount, we reviewed \$454,486 and found those costs were ineligible because they did not benefit the program. Further, LHLS/EP's allocation of these costs among programs and disasters was arbitrary and unsupported. We did not review the remainder of these costs because the required audit effort would have exceeded the benefits of a 100 percent review. Further, we found no evidence to indicate the remaining costs were eligible.

We reviewed 61 expenditures valued at \$454,486 of the \$465,689 LHLS/EP claimed as UN administration and management costs under disasters 1246, 1264, and 1269. We found the claimed costs were not supported as either direct or indirect costs expended for administering and managing the mitigation, buyout assistance, disaster relief, and long-term recovery efforts funded by the UN program. Specifically, the claimed costs included ineligible expenditures for the following items: a Ford 2002 Crown Victoria automobile; computer, audio, and video equipment; microwave communications systems; a global disaster network; GSA automobile leases; electrical installations; office supplies; travel; training; emergency cots; telephone systems; professional dues; charitable donations; an L.L. Bean brief case and rain coat; and a trip to Germany for an LHLS/EP official.

States may use up to 7 percent of total UN funding to pay for costs of administering and managing the grant (64 Fed. Reg. 42948 (August 6, 1999); 65 Fed. Reg. 1389 (January 10, 2000)). Further, these administrative and management costs are allowable only if they benefit the UN program and are used for the purposes of mitigation, buyout assistance, disaster relief, and long-term recovery.

According to OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, Section A, governmental units receiving funding from the federal government are also responsible for the efficient and effective administration of federal awards through the application of sound management practices. As cited in Finding 7, the Circular also states that, to be allowable under a federal award, a cost must be allocable to that award.

LHLS/EP stated that it was unaware of Federal Register Notice requirements and FEMA guidelines establishing the use of administrative and management funding under the

Unmet Needs Program. This lack of awareness of applicable requirements indicates that LHLS/EP did not have adequate procedures related to claiming and accounting for funds spent to administer and manage the UN program.

Conclusions and Recommendations:

LHLS/EP was responsible for administering federal funds in a manner consistent with program objectives and the terms and conditions of the federal award. LHLS/EP failed in those respects because it did not identify claimed costs specifically with a particular final cost objective as a direct cost or as an indirect cost to benefiting cost objectives, using allocation bases that produce equitable results in consideration of the relative benefits derived. LHLS/EP's practice of assigning costs to disaster funding based upon funding availability and funding expiration did not comply with the OMB Circular A-87, Attachment A, Section H, requirement that the state institution certify and abide by an approved cost allocation plan or indirect cost rate.

LHLS/EP also failed to efficiently and effectively administer federal funds through the application of sound management practices because purchases such as automobiles, briefcases, raincoats, and trips to Germany, clearly were not necessary for the administration and management of the Unmet Needs program. As a result, the LHLS/EP misspent at least \$454,486 on ineligible items that did not benefit the Unmet Needs Program.

We recommend that the Regional Director, FEMA Region VI:

- (1) Disallow \$454,486 of the \$465,689 UN administrative and management costs claimed as of September 2003 and disallow the remaining \$11,203 claimed unless LHLS/EP can prove the eligibility of the remaining costs.
- (2) Disallow any claims subsequent to September 2003 for UN administrative and management costs unless LHLS/EP can prove costs claimed are eligible.
- (3) Require LHLS/EP to develop, document, and implement procedures ensuring that costs incurred to administer or manage the grant are properly recorded and monitored on an individual disaster basis and that costs claimed are limited to actual expenses incurred for the purpose of administering and managing the Unmet Needs program.
- (4) Train LHLS/EP staff on the allowable use of Unmet Needs administrative and management funding.

Management Response:

FEMA Region VI stated they “provisionally” agree with Recommendation 8.1 to disallow \$454,486 of the \$465,689 UN administrative and management costs claimed as of September 2003 and disallow the remaining \$11,203 claimed. The Region stated they would review the ineligible costs to inform the State on actions to resolve this issue. For Recommendation 8.2 the Region stated that LHLS/EP must disallow any claims subsequent to September 2003 for UN administrative and management costs unless LHLS/EP can prove costs claimed are eligible. Finally, the Region concurred with Recommendation 8.3 to require LHLS/EP to develop, document, and implement procedures to ensure that costs claimed to administer or manage the grant are properly recorded and monitored on an individual disaster basis and that costs claimed are limited to actual expenses incurred for the purpose of administering and managing the Unmet Needs program. The target completion date for the stated actions was June 30, 2005.

FEMA Region VI did not respond to Recommendation 8.4.

OIG Comments:

Recommendations 8.1 cannot be resolved until the Region agrees that the cited ineligible statutory administrative allowances claimed as of September 2003 should be disallowed. Further, the stated target completion date of June 30, 2005, is unacceptable because the Inspector General Act of 1978 requires the agency to make management decisions (whether the Region agrees or disagrees) within 6 months of the date of the final report. Accordingly, the Region must provide a decision to de-obligate the ineligible costs no later than May 31, 2005. The June 30, 2005 target completion date is acceptable for de-obligating the ineligible costs.

The Region’s described action plan is adequate to resolve Recommendations 8.2 and 8.3. Recommendation 8.2 can be closed when FEMA Region VI has assured the OIG that they have disallowed any ineligible costs subsequent to September 2003 for UN administrative and management costs. Recommendation 8.3 can be closed when FEMA Region VI has assured the OIG that the revised State Administrative Plan includes the developed, documented, and implemented policies and procedures to ensure that costs claimed to administer or manage the grant are properly recorded and monitored on an individual disaster basis and that costs claimed are limited to actual expenses incurred for the purpose of administering and managing the Unmet Needs program.

Recommendation 8.4 cannot be resolved until the Region agrees to train LHLS/EP staff on the allowable use of Unmet Needs administrative and management funding and provides a target completion date to complete the training.

Finding 9 - Project Cost Estimates Did Not Assure Reasonableness

LHLS/EP did not adequately assess the reasonableness of project cost estimates submitted by applicants. Our review of applications revealed that cost estimates for

proposed projects were most often based entirely upon square footage of the damaged structures, without consideration to other relevant factors. Consequently, there was an increased risk that applicants might inflate proposed mitigation activity, complete projects for less than estimated, and retain the difference. This risk was increased further because LHLS/EP did not perform onsite inspections or require a final accounting of claimed costs as a condition of reimbursement.

While it is reasonable to consider the costs per square foot in developing cost estimates, an analysis of costs per square footage alone is insufficient for assessing reasonableness when reviewing the budget within an application. Therefore, other factors should be considered. For example, the HMGP Desk Reference, Section 12-2, suggests considering market prices for comparable goods and services when assessing reasonableness.

In addition, OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, Section C, which is referenced in the HMGP Desk Reference as guidance on determining the reasonableness of application costs, states that, in determining the reasonableness of a cost, consideration shall be given to whether the cost is prudent, ordinary, necessary, and in line with market prices for comparable goods and services.

LHLS/EP did not have written procedures in place for ensuring assessment of the reasonableness of project cost estimates submitted by applicants. LHLS/EP stated that the time between applicant briefings and application submittals was not sufficient to perform detailed cost estimates. LHLS/EP was also unaware that its method of assessing the proposed cost of project applications was insufficient because FEMA Region VI did not demand that LHLS/EP perform a more detailed cost estimate.

Conclusions and Recommendation:

LHLS/EP did not adequately assess the reasonableness of project cost estimates submitted by applicants. As a result, LHLS/EP could not provide FEMA assurance that costs claimed for hazard mitigation projects was reasonable.

Accordingly, we recommend that the Regional Director, FEMA Region VI, require LHLS/EP to develop, document, and implement procedures to ensure that cost estimates for Hazard Mitigation projects are adequately assessed for reasonableness.

Management Response:

FEMA Region VI concurred with the finding and recommendation and provided a target completion date of June 30, 2005, to allow LHLS/EP to develop, document, and implement procedures to ensure that cost estimates for Hazard Mitigation projects are adequately assessed for reasonableness.

OIG Comments:

The Region's described action plan is adequate to resolve the recommendation in this finding and the recommendation can be closed when FEMA Region VI has assured the OIG that the revised State Administrative Plan contains procedures to ensure that cost estimates for Hazard Mitigation projects are adequately assessed for reasonableness.

MANAGEMENT COMMENTS



FEMA

October 25, 2004

MEMORANDUM FOR: Tonda L. Hadley, Field Office Director
Department of Homeland Security Office of Inspector General

FROM: *for Ron Castleman*
Ron Castleman
Regional Director

SUBJECT: Response to Draft Audit Report
Grant Management: Louisiana's Compliance with Disaster Assistance Program's Requirements

We have completed a review of the above referenced draft audit report. Many of the findings reflect a need to improve records and reporting. In discussions between Louisiana Homeland Security and Emergency Preparedness staff (LHLS/EP) and FEMA staff, we believe record keeping and progress reports are improving and that they will continue to improve significantly. Region VI will assist the State in this ongoing project.

Our response follows each of your recommendations below.

Finding 1- HMGP Administrative Plans Did Not Contain all Required Procedures

Recommendation:

We recommend that the Regional Director, FEMA Region VI, require LHLS/EP to develop, document, and implement policies and procedures to ensure administrative plans meet all 44 CFR requirements.

Response:

- FEMA Region VI agrees with the recommendation to direct LHLS/EP to develop, document, and implement policies and procedures to ensure that the administrative plan meets all 44 CFR requirements.
- The State requested on August 3, 2004, to use a grant from the FEMA Hazard Mitigation (HMGP) Grant Program to develop a new administrative plan for their State Mitigation Plan. The Region approved this request August 17.

- The State has hired a consulting firm, URS Inc., to develop their comprehensive administrative plan (see Appendix A).
- Once the administrative plan is complete, FEMA Region VI will review and assure completeness before final approval.

Target Completion Date: June 30, 2005.

Finding 2 - Quarterly Progress Reports Did Not Provide Timely, Useful Information

Recommendation:

We recommend that the Regional Director, FEMA Region VI, require LHLS/EP to develop, document, and implement procedures, to ensure quarterly progress reports are accurate, timely, and complete. These procedures should describe how to obtain adequate information from subgrantees and a staffing plan to ensure procedures are followed when multiple disasters occur.

Response:

- FEMA Region VI agrees that LHLS/EP must develop, document, and implement procedures to ensure quarterly progress reports are accurate, timely, and complete.
- FEMA Region VI enhanced a previously developed quarterly progress report form and submitted that form to all States in the region on May 6, 2004. The form will help the States focus on the information required by the Region to assess the progress of each project.
- The State is in the process of retaining a contractor to establishing a data base system that will help monitor the timely monitoring of grant activities, including quarterly reports (see Appendix A).
- Once the new administrative plan is developed and approved the State will have established procedures to obtain adequate information from subgrantees and a staffing plan to ensure procedures are followed when multiple disasters occur (see Finding 1).

Target Completion Date: June 30, 2005

Finding 3 - HMGP Project Files Did Not Contain Evidence of Final Inspections

Recommendations:

Unless LHLS/EP performs final closeout inspections, it cannot assure FEMA that HMGP-funded projects were completed in accordance with the approved scope of work. Accordingly, we recommend that the Regional Director, FEMA Region VI, require

LHLS/EP to follow its procedures for performing final inspections and revise those procedures to include steps that assure FEMA work has been completed in accordance with federal regulations. Such procedures might include providing the Region a copy of the final inspection report along with the final reimbursement claim submitted on each approved project.

Response:

- The Region concurs with the recommendation. The State must follow the procedures outlined in their Administrative Plan to perform final inspections on projects.
- Recently the State has appointed two “Surge Teams” to perform closeout reviews on completed projects. As of October 15, 2004, these teams have performed their reviews on 60 percent of the total completed projects (see Appendix A).
- The State has developed interim procedures to ensure timely closeout (see Appendix A).
- The State must develop, document, and implement procedures for assuring the Region that each hazard mitigation project has been inspected to verify that work has been completed in accordance with project grant requirements and federal regulations. These procedures will be included as part of the updated Administrative Plan (see Finding 1).

Target Completion Date: June 30, 2005

Finding 4 - Project Ranking and Selection Process Increased the Risk of Duplicate Funding

Recommendations:

We recommend that the Regional Director, FEMA Region VI:

- (3) Determine whether HMGP or Unmet Needs (UN) projects were funded under more than one disaster or program and, if so, disallow the resulting duplicate funding.
- (4) Require LHLS/EP to develop, document, and implement policies and procedures to adequately perform project ranking and selection. Specifically, the procedures should be sufficient to ensure that LHLS/EP:
 - Does not select projects for mitigation under more than one disaster or program;

- Prevents subgrantees from using funds to substitute or match funding available from other federal programs;
- Revises the Individual Application Worksheet to include data relevant to determining whether properties should receive priority funding;
- Consistently applies project priorities listed in its HMGP Administrative Plan during the project ranking and selection process.

Response:

- The State must determine whether HMGP or UN projects were funded under more than one disaster program and, if so, disallow the resulting duplicate funding.
- The Region agrees that the State must develop, document, and implement policies and procedures to adequately perform ranking and selection. These procedures will be included as part of the updated Administrative Plan (see Finding 1).

Target Completion Date: June 30, 2005

Finding 5 – LHLS/EP Did Not Review Documentation to Support HMGP and UN Project Costs

Recommendations:

We recommend that the Regional Director, FEMA Region VI, require LHLS/EP to:

- (1) Perform final project closeouts for all approved projects completed under the Hazard Mitigation and UN programs to determine whether costs claimed are supported and eligible.
- (2) Disallow unsupported and/or ineligible costs claimed for HMGP and UN projects.
- (3) Develop, document, and implement policies and procedures to review documentation to support costs claimed under all HMGP and UN projects. These procedures should be sufficient to ensure that subgrantees:
 - Incurred claimed cost for eligible work on approved projects,
 - Meet the non-federal cost-share requirement, and
 - Minimized the time elapsed between receipt and disbursement of federal funds.

Response:

- The State must perform final project closeouts for all approved projects completed under the Hazard Mitigation Grant and UN Programs to determine whether costs claimed are supported and eligible.
- The State must disallow unsupported and/or ineligible costs claimed for HMGP and UN projects.
- The State has developed interim procedures for processing payments (see Appendix A).
- The Region concurs with the recommendation that the State develop, document, and implement policies and procedures to review documentation to support costs claimed under all HMGP and UN projects. Procedures for the HMGP will be included as part of the updated Administrative Plan (see Finding 1).

Target Completion Date: June 30, 2005

Finding 6 – LHLS/EP Did Not Obtain FEMA Approval for Scope-of-Work Changes

Recommendation:

We recommend that the Regional Director, FEMA Region VI, require LHLS/EP to develop, document, and implement procedures to ensure that all changes in scope of HMGP projects are properly approved in advance by FEMA.

Response:

- The Region agrees with the recommendation that the State develop, document, and implement procedures to ensure that all changes in scope of HMGP projects are properly approved in advance by FEMA. These procedures will be included as part of the updated Administrative Plan (see Finding 1).

Target Completion Date: June 30, 2005

Finding 7 – Statutory Administrative Allowance Expenditures for Hazard Mitigation Were Ineligible

Recommendations:

We recommend that the Regional Director, FEMA Region VI:

- (1) Disallow \$163,301 of the \$186,363 statutory administrative allowances claimed as of September 2003 and disallow the remaining \$23,062 claimed unless LHLS/EP can prove the eligibility of the remaining costs.

- (2) Disallow any claims subsequent to September 2003 for HMGP statutory administrative allowances unless LHLS/EP can prove costs claimed are eligible.
- (3) Require LHLS/EP to develop, document, and implement procedures to ensure that costs claimed under HMGP statutory administrative allowances are limited to extraordinary actual expenses supporting the Hazard Mitigation program and are properly recorded and allocated on an individual disaster basis.

Response:

- The Region provisionally agrees with the recommendation to disallow \$163,301 of the \$186,363 statutory administrative allowances claimed as of September 2003 and disallow the remaining \$23,062 claimed. The Region requests a cost breakdown of ineligible statutory administrative allowances from the OIG, which will be compared to the State's ineligible costs (see Appendix A). After review, the Region will be in a better position to inform the State on actions to resolve this issue.
- The State must disallow any claims subsequent to September 2003 for HMGP statutory administrative allowances unless LHLS/EP can prove costs claimed are eligible. Until such time that procedures are in place to ensure compliance, the State is carefully reviewing any expenditures to administrative costs to insure compliance with regulations (see Appendix A).
- It is the intent of the State to have internal auditors conduct semiannual audits on the use of administrative funds for a period of two (2) years in order to validate compliance (see Appendix A).
- The Region concurs with the recommendation that the State develop, document, and implement procedures to ensure that costs claimed under HMGP statutory administrative allowances are limited to extraordinary actual expenses supporting the Hazard Mitigation program and are properly recorded and allocated on an individual disaster basis. These procedures will be included as part of the updated Administrative Plan (see Finding 1).

Target Completion Date: June 30, 2005

Finding 8 - Administrative and Management Costs for the Unmet Needs Program Were Ineligible

Recommendations:

We recommend that the Regional Director, FEMA Region VI:

- (1) Disallow \$454,486 of the \$465,689 UN administrative and management costs claimed as of September 2003 and disallow the remaining \$11,203 claimed unless LHLS/EP can prove the eligibility of the remaining costs.
- (2) Disallow any claims subsequent to September 2003 for UN administrative and management costs unless LHLS/EP can prove costs claimed are eligible.
- (3) Require LHLS/EP to develop, document, and implement procedures ensuring that costs incurred to administer or manage the grant are properly recorded and monitored on an individual disaster basis and that costs claimed are limited to actual expenses incurred for the purpose of administering and managing the UN program.
- (4) Train LHLS/EP staff on the allowable use of UN administrative and management funding.

Response:

- The Region provisionally agrees with the conclusion to disallow \$454,486 of the \$465,689 UN administrative and management costs claimed as of September 2003 and disallow the remaining \$11,203 claimed. The Region requests a cost breakdown of ineligible administrative and management costs from the OIG, which will be compared to the State's ineligible costs (see Appendix A). After review, the Region will be in a better position to inform the State on actions to resolve this issue.
- The State must disallow any claims subsequent to September 2003 for UN administrative and management costs unless LHLS/EP can prove costs claimed are eligible. Until such time that procedures are in place to ensure compliance, the State is carefully reviewing any expenditures of administrative costs to insure compliance with regulations (see Appendix A).
- The Region concurs with the recommendation to require the State to develop, document, and implement procedures ensuring that costs incurred to administer or manage the grant are properly recorded and monitored on an individual disaster basis and that costs claimed are limited to actual expenses incurred for the purpose of administering and managing the UN program. These procedures will be included as part of the updated Administrative Plan (see Finding 1).

Target Completion Date: June 30, 2005

Finding 9 - Project Cost Estimates Did Not Assure Reasonableness

Recommendation:

Accordingly, we recommend that the Regional Director, FEMA Region VI, require LHLS/EP to develop, document, and implement procedures to ensure that cost estimates for Hazard Mitigation projects are adequately assessed for reasonableness.

Response:

- The Region agrees with the recommendation that the State must develop, document, and implement procedures to ensure that cost estimates for Hazard Mitigation projects are adequately assessed for reasonableness. These procedures will be included as part of the updated Administrative Plan (see Finding 1).

If you have any questions, please call Billy Penn at (940) 898-5297.

October 15, 2004

LANG-HEP-DR

Mr. Ron Castleman
Director
Federal Emergency Management Agency
Region VI
800 North Loop 288
Denton, TX 76209

RE: Office of Inspector General Audit Report-Grant Management: Louisiana's
Compliance with Disaster Assistance Program's Requirements-Job Code A-D-
03-12- State of Louisiana Response

Dear Mr. Castleman:

Our response to the above referenced report will be addressed in two parts; part one will be Louisiana's overall response to the issues raised in the report, and part two will be specific responses to the nine (9) findings listed in the report. We believe that once you have reviewed our aggressive, well planned response to the issues enumerated and the actions taken to date to address the concerns, you will be pleased with our efforts.

Our approach to addressing the issues listed is broken down into three (3) general activities with several elements within each activity; the first activity is the close out of completed projects, the second activity is immediate implementation of interim grant management procedures, and the third is to develop a comprehensive structure to handle all grant activities in the future. These activities are being addressed concurrently and oversight is by the Assistance Adjutant General, State of Louisiana.

In order to phase out the backlog of completed projects, two "surge teams" were appointed to rapidly perform close out reviews on the completed projects. The appointment order for the surge teams is made part of this response and is attached as Exhibit A. As of the date of this response, these teams have performed close out reviews on 56 of the completed projects which represent 60% of the total completed projects. Exhibit B is a detailed report of current surge team activities.

As these teams perform site visits and close outs, appropriate action is being taken to ensure compliance with federal regulations and to address issues of discovered non-compliance. These teams will remain in place until substantially all of the completed projects have been closed out, and it is determined that a sufficient number of trained personnel are in place to effectively handle the grant management process on an ongoing basis.

A determination was made to immediately implement interim grant procedures to consistently manage ongoing projects while a complete revision of the administrative plan was under way. Exhibit C contains interim procedures along with a check list used for processing grant payment requests that are currently in use by the State. Federal Emergency Management Agency (FEMA) Region VI mitigation personnel have reviewed these procedures and have given their concurrence. Ongoing projects are at various stages of completion, and in some instances advance payments had been made prior to the implementation of the new procedures. Therefore, it will not be possible to follow all interim procedures for all ongoing projects. We will continue to work closely with FEMA Region VI personnel in resolving issues within ongoing projects to insure that all applicable federal regulations are being adhered to.

We are taking a multifaceted approach in developing a comprehensive structure to handle grants effectively and efficiently in the future. URS, one of the nations leading consulting firms, has been retained to assist us in developing a State Hazard Mitigation Plan and related Administrative Plan. The Administrative Plan will be very detailed, easy to understand, and used as a guide in administering our grant programs. We anticipate that the Hazard Mitigation Plan will be completed by April 1, 2005 and are working with URS to have a working draft of the Administrative Plan by February 1, 2005. Exhibit D contains a base line organizational structure and an enhanced organizational structure for the Disaster Recovery Division, the division that is responsible for the mitigation programs. These organizational charts have also been discussed with FEMA Region VI personnel. We are committed to staffing the Division to the base structure over the next six (6) months and will determine the need for the enhanced structure at a later date. Eight (8) of ten (10) employees of the Disaster Recovery Division recently attended a two day Hazard Mitigation workshop hosted by FEMA Region VI personnel. The remaining two (2) employees attended a Hazard Mitigation Plans seminar conducted at the Emergency Management Institute (EMI).

We also believe that with the magnitude and complexity of the grants, an automated data base should be used to monitor projects. We will be seeking proposals for the development of such a data base within the next 30 days. Our senior leadership is committed to doing everything possible to create a stable, trained, work force within this Division. All future applicants' briefings will be conducted by video teleconference (VTC) to insure that the same information is presented simultaneously to all. This will help to eliminate confusion as the grants are implemented.

The following section of our response will address the nine (9) items listed in the audit report:

Finding 1- HMPG Administrative Plans Did Not Contain All Required Procedures

As previously stated, the State, with the assistance of URS is in the process of rewriting the State Hazard Mitigation Plan and the State HMPG Administrative Plan. We are confident that once these plans are finalized, the State of Louisiana will not only meet but exceed the Federal requirements. In addition, hazard mitigation implementation strategies will be developed for all future grants to further define the administrative procedures that may be unique to each disaster.

Finding 2- Quarterly Progress Reports Did Not Provide Timely, Useful Information

We are taking action to insure that the sub-grantees provide the State timely, accurate, information. As stated earlier, we are in the process of seeking proposals for the development of a data base system to assist in timely monitoring of grant activities, including quarterly reports.

Finding 3- HMPG Project Files Did Not Contain Evidence of Final Inspection

As detailed earlier, the State has aggressively addressed this issue by appointing two (2) surge teams to conduct final inspections on completed projects. In addition, interim procedures were put in place to insure timely close outs in the future, and senior leadership has committed to staffing the Division with qualified, trained personnel in order to fulfill this requirement into the future.

Finding 4- Project Ranking and Selection Process Increased the Risk of Duplicate Funding

We now understand that the Targeted Repetitive Loss List (TRLL) should have only been used as a guide in project selection. Our Administrative Plan will detail a selection procedure that will incorporate factors other than the TRLL. The State Hazard Mitigation Team will use this procedure to evaluate projects based on a consistent application of the State's adopted policies. The new interim process and procedures are projected to be completed by December 1, 2004.

Finding 5- LHLS/EP Did Not Review Documentation to Support HMPG and UN Project Costs

We believe that the interim procedures that are now in place and attached as exhibit C, the training of personnel in the Disaster Recovery Division by FEMA Region VI that has already taken place, along with additional planned, qualified manning, will prevent reoccurrences of these findings.

Finding 6- LHLS/EP Did Not Obtain FEMA Approval for Scope-of-Work changes

Our response is the same as the response to finding 5 above.

Finding 7- Statutory Administrative Allowance Expenditures for Hazard Mitigation Were Ineligible

Our accounting for and spending of administrative allowances was consistent with procedures LHLS/EP followed for years. These practices withstood audits over a number of years. We believe that the vast majority of the expenditures cited in the audit report directly benefited the Hazard Mitigation Programs. Personnel are required to administer hazard mitigation programs. These in turn require office space, transportation, and communications equipment. In addition, they need equipment to account for and document the programs. This includes such capital items as cameras, computers, etc. We do believe that \$26,900 was expended for ineligible items. Exhibit E contains a detailed listing of the costs that we do believe were ineligible cost. We have scheduled a training session with OIG personnel to insure that we have a clear understanding of how administrative allowances may be expended in the future.

Once this is accomplished, we will put procedures in place to insure future compliance. Until final procedures are in place, we are carefully reviewing any expenditures charges to administrative costs to insure that we are in compliance with the regulations. It is also our intent to have The State Military Department internal auditor conduct semiannual audits on the use of administrative funds for a period of two (2) years in order to validate compliance.

Finding 8- Administrative and Management Costs for the Unmet Needs Program Were Ineligible

Our response is the same as that of Finding 7. We do believe that \$163,169 was expended for ineligible items. Exhibit E contains a detailed listing of the ineligible cost.

Finding 9- Project Cost Estimates Did Not Assure Reasonableness

The challenge faced in determining reasonable costs is that in many cases certain costs associated with the Mitigation programs are rather unique and do not necessarily lend themselves to market type analysis. We also believe that the guidance given in the regulations relating to reasonable costs for hazard mitigation projects are very general. In order to address this issue, we are in the process of developing State guidelines for certain costs such as management fees and will require a more detailed cost estimate of the project from the applicants. These guidelines will become part of our applicant briefing for future projects. The new Administrative Plan will contain these guidelines along with procedures to insure that we assess costs for reasonableness.

When considering our response to the audit report, we would like to point out several mitigating circumstances. LHLS/EP has a long history of exemplary service to our citizens in preparing for, responding to and recovering from disasters. Our relationship and cooperative spirit with our federal partners has long been recognized. The procedures by which we were expending and accounting for the administrative and management costs were based on past precedent, and we truly believe that they benefited the hazard mitigation programs from which the funds came. We further believe that some of the issues relating to grants management were magnified by events beyond our control. The State of Louisiana faced consecutive major disasters in 2001 and 2002, (June, 2001- Allison; September, 2002- Isidore; October, 2002- Lili) which increased the work load exponentially.

Page (6)

In October 2002 three (3) of the seven (7) employees of the Disaster Recovery Division were mobilized for active duty in the war on terror. These consecutive disasters and the loss of key personnel at a critical time greatly diminished LHLS/EP's ability to manage the volumn of grants that were in progress at that time.

We look forward to resolving these issue together and to a continued excellent working relationship.

Sincerely,

Bennett C. Landreneau

BCL/js

Enclosure (5)



DEPARTMENTS OF THE ARMY AND AIR FORCE

JOINT FORCE HEADQUARTERS-LOUISIANA
OFFICE OF THE ADJUTANT GENERAL
JACKSON BARRACKS
NEW ORLEANS, LA 70146-0330

S: 2 October 2004

Exhibit A

LANG-AAG-AR

2 August 2004

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Appointment of Surge Team for Hazard Mitigation Program

1. **Background:** Recent reviews and audits revealed a backlog of activities related to Hazard Mitigation Program. There is a need to clear up backlog of project inspections, documentation reviews and reports.

2. **Activity:** Effective 2 August 2004, by authority of The Adjutant General, the following individuals are appointed to the Surge Team:

- a. COL Michael Appe, Director State Military Department (Chairman)
- b. Mr. Art Jones, Chief Disaster Recovery LHS/EP
- c. Major Robert Kyger, Assistant SHMO
- d. Mr. John Gonzales, State Public Assistance Officer
- e. CPT William Haygood, Operations Officer
- f. COL John Landry, Special Projects Officer LANG-SMD
- g. CW4 George Schmidt, Internal Auditor LANG-SMD
- h. Ms. Trina Davis, Senior Accountant LANG-SMD
- i. Mr. Richard Weiser, Accountant LHS/EP
- j. Mr. Robert Bott, Chief Support Services Division LHS/EP

3. **Purpose:** To complete all necessary Hazard Mitigation project inspections, review all required documentation and prepare required reports in accordance with federal regulations.

4. **Period:** Until officially relieved from appointment.

5. **Special Instructions:** Weekly progress reports will be submitted to LANG-AAG-AR. Goal is to have all inspections, reports and reviews completed by suspense of 2 October 2004.

FOR THE ADJUTANT GENERAL:

HUNT B. DOWNER
Brigadier General, LAARNG
Assistant Adjutant General (Army)

DISTRIBUTION:
LANG LHS/EP
LANG SMD
Each Team Member

"Preserving Our Freedom By Securing Our Future"

EXHIBIT B

Hazard Mitigation Support Team – Progress Report (HMST-PR) October 8, 2004 / Update

LANG-HEP-R

MEMORANDUM FOR: Colonel Mike Appe

SUBJECT: HMST-PR / Week ending October 8, 2004

1. Percent of Records Reviewed by Team A and B:

Total Projects	95
Projects completed	56
Percent completed	60%

2. Number of Project closed at this time:

A Team – Initial - 5

Total to date - 27 (6 pending)

Bossier City /Bossier Parish

(6) Projects. (14) Locations visited.

Awaiting Grantee Closeout Letter.

90% complete.

Shreveport and Caddo Parish

(9) Projects. (32) Locations visited.

Awaiting elevation certificates from Sub Grantee and Grantee Closeout Letter.

90% complete.

Union Parish

(2) Projects. (4) Locations visited.

Awaiting Grantee Closeout letter for 1 project.

(1) Project questioned.

70% complete

Calcasieu Parish

(2) Projects. (2) Locations visited.

Awaiting Grantee Closeout letter.

90% complete.

Vermilion Parish

(1) Project.

Awaiting Grantee Closeout letter.

90% complete.

Lafayette Parish

(1) Project.

Pending FEMA approval for project change.

65% complete.

Pointe Coupee Parish

(1) Project.

Awaiting trial balance from Sub Grantee and Grantee Closeout letter.

90% complete.

Avovelles Parish

(1) Project. (2) Locations visited.
50% complete pending determination from Region on 2nd property.

East Feliciana Parish

(1) Project.
Awaiting Grantee Closeout letter.
90% complete.

Franklin Parish

(2) Projects.
Awaiting Grantee Closeout letter.
90% complete.

West Carroll Parish

(1) Project.
Awaiting Grantee Closeout letter.
90% complete.

Ouachita Parish

(6) Projects.
Surge Team returned to Ouachita the week of Sept 20, 2004.
Significant problems noted. Applicant exit briefing conducted.
50% complete.

Number of Projects closed at this time

B Team – Initial - 10

Total to date - 29 (33 pending)

St. Bernard Parish

(1) Project. (1) Location visited.
Awaiting Grantee closeout letter.
90% complete

St. James Parish

(5) Projects. (5) Location visited.
Awaiting Grantee closeout letter.
90% complete

Terrebone Parish

(1) Project. (1) Location visited.
Awaiting Grantee closeout letter.
90% complete

Plaquemines Parish

(2) Projects. (2) Location visited.
Awaiting Grantee closeout letter.
90% complete

Jefferson Parish

(6) Projects. (14) Location visited.
Awaiting Grantee closeout letter.

90% complete

Page 3

Surge Team Weekly Report

City of Mandeville

(3) Projects. (16) Location visited.

Awaiting Letter of Needs/Grantee closeout letter.

37% complete

City of Covington

(3) Projects. (7) Location visited.

Awaiting Grantee closeout letter.

37% complete

Jefferson Parish-Revisit

(3) Projects. (14) Location visited.

Awaiting Grantee closeout letter.

90% complete

St. John Parish-Revisit

(1) Projects. (14) Location visited.

Awaiting Grantee closeout letter.

90% complete

Ascension Parish-Revisit

(4) Projects. (17) Location visited.

Awaiting Grantee closeout letter.

75% complete

St. Tammany Parish

(25) Projects.

Scheduled Oct 1-5, 2004

0% complete

City of Slidell

(included in parish total) Projects.

Scheduled Oct 6-8, 2004

0% complete

Livingston Parish

(2) Projects.

Scheduled Oct 12, 2004

0% complete

East Baton Rouge Parish

(3) Projects.

Scheduled Oct 13-14, 2004

0% complete

St. Charles Parish

(3) Projects.

Scheduled Oct 20, 2004

0% complete

Page 4
Surge Team Weekly Report

3. Scheduled for week of Oct 4-20, 2004
Team A (enclosed)
Team B (enclosed)
Enclosed – HMST- A and B
4. Forms generated to support Closeouts:
 1. Surge Team Members
 2. Surge Team training Schedule
 3. Acquisition Checklist
 4. Elevation Checklist
 5. Construction Checklist
 6. Application ChecklistEnclosed – HMST- 1-6
Provided on initial distribution
Additional copies are available
5. Additional time will be required to complete the assigned task. Both Team A and B recommend the Surge Team response be continued on a limited basis in order to complete the applicant meetings scheduled and to complete the applicant documentation requirements we need to complete the Project Close out. At this time (56) projects have been completed and (39) projects are awaiting completion. We estimate these actions including the final close out letter from LHLS/EP to each applicant can be completed prior to the end of 2004.

Art Jones
Disaster Recovery / Division Chief

EXHIBIT C

INTERIM PROCEDURES –HAZARD MITIGATION PAYMENT PROCESSING (Final)

In response to recent audits of the hazard mitigation program, the following interim procedures are in effect until a comprehensive update of the hazard mitigation administrative plan is completed.

Section VIII. Project Management, section C. Payments, paragraph 3., shall be amended as follows:

Eliminate the paragraph beginning with “Project funds will be paid”. Insert the following paragraphs:

In general, all project funds’ disbursements will be processed on a reimbursement basis. Advance of federal funds will only be approved by exception and where allowed by federal regulation. A participant must demonstrate that an advance for a project is necessary in order to accomplish the work. The request for advance funding will only be considered with compelling documentation to support the need and in only the amount necessary to execute the project. The Deputy Director/Emergency Preparedness will be the approving authority for advance funding.

All payment requests require a Form 270 with the original signature of the authorized certifying official on the reverse side of the form. Payment requests will be accepted on the first day of each federal fiscal quarter (October 1, January 1, April 1, and July 1) or at project completion. Appropriate documentation of the expended funds shall accompany the request for payment. At a minimum, this documentation should include a brief summary of the nature of the payment request (i.e. engineer payment, progress payment on contract, etc.) along with copies of supporting invoices and checks. This information should be summarized and reconciled to the Form 270. The request should clearly identify the individual project number in instances where the grant includes multiple projects. For construction projects, a percentage of completion calculations should also be included. Payments will not be processed without a current signed quarterly report on file with our agency. On all projects, with the exception of property acquisition, it is required that the applicant has expended their matching share before any reimbursement is made from federal funds. Proof of applicant’s expenditure will be the submittal of Form 270 along with supporting documentation as previously described in this paragraph.

Additional procedures specific to project type are as follows:

PROPERTY ACQUISITION- Federal funds will not be disbursed until a closing has been scheduled. The applicant shall submit a payment request approximately two weeks before the scheduled closing date. This request shall contain the closing date, property description, property appraisal prepared by a certified appraiser, and a closing statement which includes the direct closing cost only (attorney, title exam, etc, **excluding administrative cost, management cost**, etc.). In addition, a calculation of the 25% local match shall also be attached. The maximum that will be paid before the closing is 75% of the appraised value and direct closing cost. The balance will be paid once the project is closed out.

PLAN PREPARATION- In cases where the sub-grantee has contracted for the preparation of the plan, the following payment schedule will be used:

Upon signing of the contract-	10%
Upon Submittal of draft plan- (To the State)	50%
Upon plan approval by FEMA-	40%

In the event the sub-grantee is using their employees, time sheets supporting hours worked with supporting cost calculations shall be submitted. No more than 60% will be paid until a draft plan is submitted, with final payment upon acceptance of the plan by FEMA. Said payment requests shall be submitted on the first day of each federal fiscal quarter. In the event the sub-grantee is utilizing the services of a contractor, the first payment request will be accompanied by a signed contract for plan preparation. The administrative allowance will be requested as part of the final payment.

CONSTRUCTION PROJECTS-No more than 80% of the total federal funds obligated to the project shall be paid until the project is closed out. For projects with total costs greater than \$100,000, the sub-grantee shall inform the grantee when the project is at or near 50% complete. This will allow the grantee to conduct an inspection of the project if deemed appropriate.

PAYMENT PROCESS CHECKLIST

REIMBURSEMENT			
			DATE
SF270 <i>(Must be front and back, 1 Page)</i>			
	<i>YES</i>	<i>NO</i>	<i>DATE</i>
SF 270 is submitted by Subgrantee.			
Do the math , make sure calculations are correct and IAW funding parameters.			
Supporting Documentation provided to support request for payment. <i>Copies of invoices, billings, pictures of work performed...etc.</i>			
Amount requested for payment is supported by documentation. <i>See block 11, i.</i>			
Previous payments see <i>block 11, h</i> , and is the payment number in <i>block 5</i> reflect previous payments on file.			
Signature – Original and is a person authorized to request payment.			
FILE REVIEW			
Is there an up to date quarterly report			
Is Project Progression in line with the ending of the Performance Period Date			
Confirm the approved scope is being followed			
OHSEP PROCESSING			
<i>Update Payment Spreadsheets</i>			
• Declining Balance			
• Mitigation Payments			
• Mitigation Project listing			
Prepare a Reimbursement Statement.			
Prepare a Transmittal and process.			
<i>Acquire Authorization Signatures as needed on Transmittal Sheet</i>			
If the end of performance period does not exceed 90 days, prepare notification of End of Performance Period Letter and process.			
Place copies of all documents in paper file.			
Save all OHSEP generated documents on electronic file			
<i>SIGNATURE OF SHMO</i> <i>(AUTHORIZATION TO SUBMIT REQUEST)</i>			

Exhibit D
Page 1 of 2

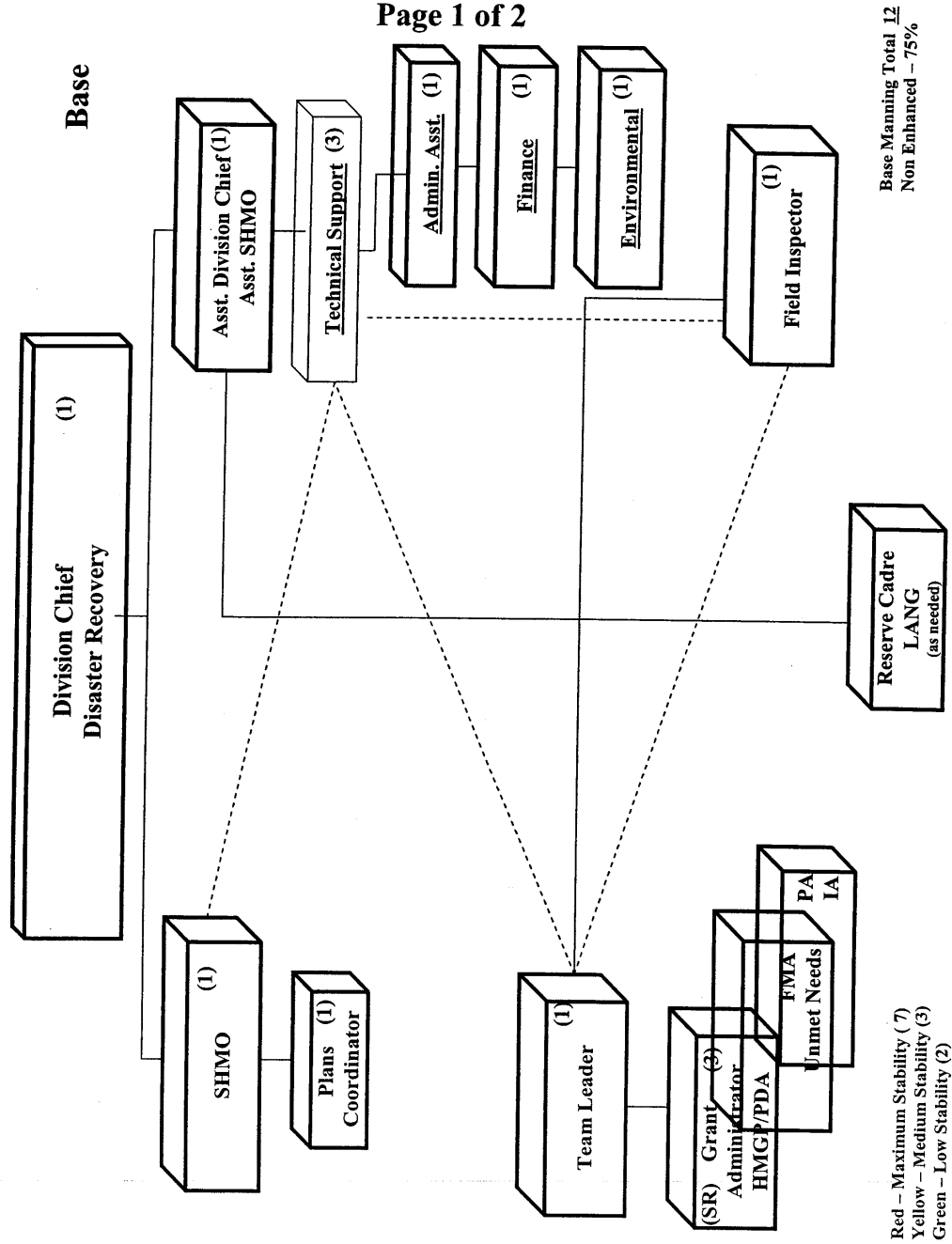


Exhibit D
Page 2 of 2

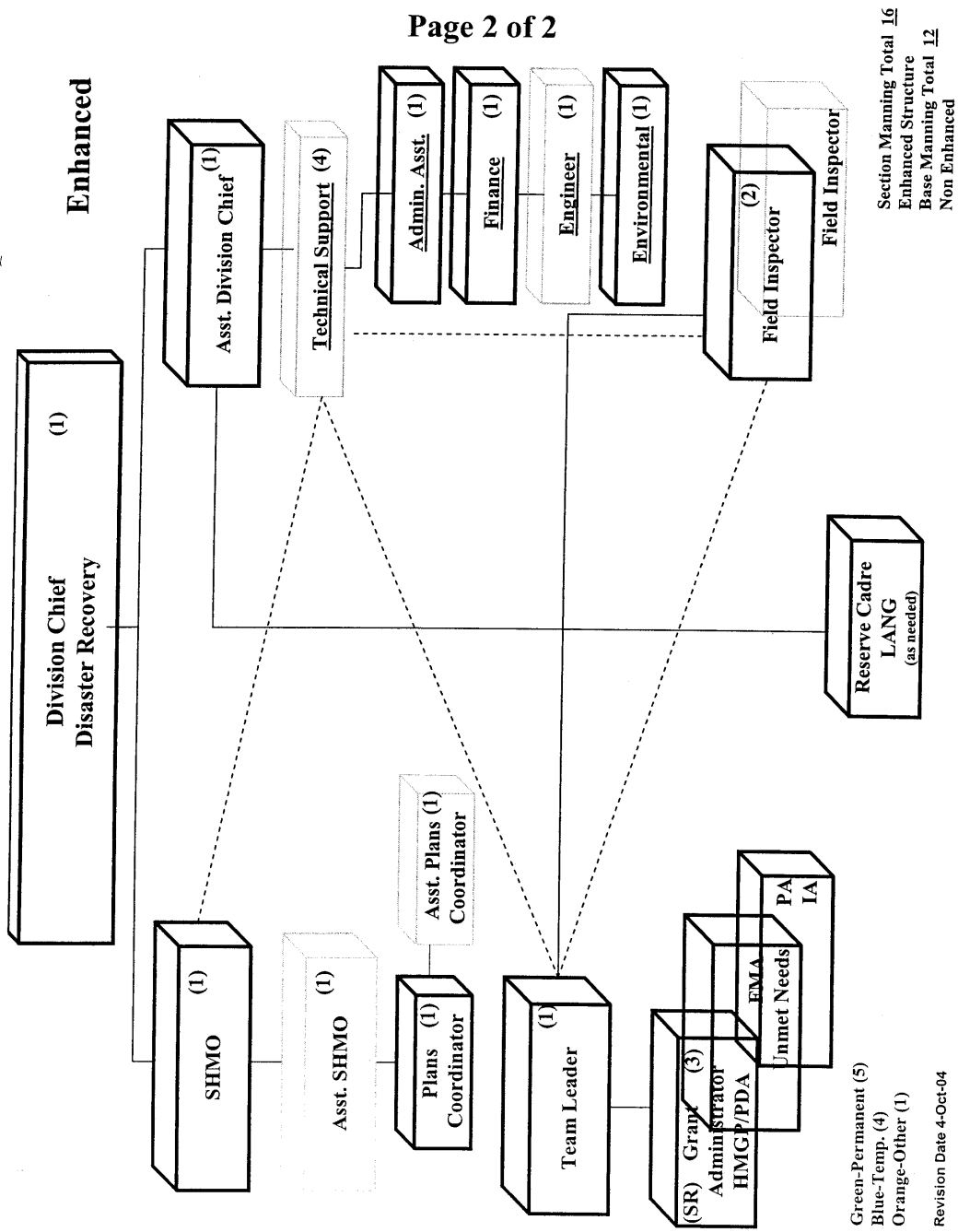


Exhibit E

INELIGIBLE COSTS

Finding 7	Descripton	Amount
	Scholarship Award	1,000.00
	Travel for SARA Title III Conference	240.00
	Travel for Terrorism (St Amant)	803.00
	Travel for Terrorism (St Amant)	1,634.00
	Grounds Improvement (Sod)	2,400.00
	Carpet Cleaning	416.00
	Aid to Local Parish (Typewriter)	650.00
	Install 800 MH Radio	407.00
	Curtains for EOC	1,071.00
	Cost of one vehicle	5,000.00
	Microwave System	<u>13,279.00</u>
		26,900.00

Finding 8	Descripton	Amount
	Memorial Award for Civil Defense	1,000.00
	Aid to Local Parish (Computer)	1,500.00
	Cost of 2 Vehicles	20,881.00
	Microwave System	13,279.00
	Trip to Germany	2,735.00
	Trip to Germany	5,469.00
	Wrecker Sdrvice	85.00
	Software E-Team	39,750.00
	Folding Cots	36,471.00
	UPS System for Agency	29,172.00
	Brief Case LL Bean	285.00
	Parka LL Bean	310.00
	Renovation of Room 120	<u>12,232.00</u>
		163,169.00